

New Single Family Program Redesign

Erik Nore, Director of Homeownership

MFA Act Oversight Committee
September 17, 2015



Single Family Program Redesign

Why redesign the Single Family Programs?

- Too many programs-multiple programs with multiple options
- Complicated/confusing guidelines
- Time intensive qualification and approval process
- To utilize the benefits of “traditional” mortgage financing
- **Opportunity to serve more New Mexico homebuyers**

Single Family Program Redesign

“First Home” Program

- First time homebuyer program
- Can be used with a Government insured loan (FHA, VA, USDA) or a Conventional loan (“Fannie Mae HFA Preferred”)
- Up to 115% Area Median Income allowed, based on family size
- No origination fees to the homebuyer
- \$500 borrower contribution
- 620 credit score
- Pre-purchase homebuyer counseling required

Single Family Program Redesign

“First Down” Program

- Down payment assistance 2nd mortgage loan
- 30 year, fixed rate mortgage loan
- 6.00% interest rate
- Funded through MFA’s Housing Opportunity Fund (“H.O.F.”)
- Used for minimum down payment and closing costs
- Designed to provide down payment assistance for First Home program

Single Family Program Redesign

“Next Home” Program

- *New non-first time homebuyer program*
- *Can be used by a first time homebuyers, as well*
- 3% (non-repayable) down payment assistance grant to homebuyer
- One income limit for the entire state
 - \$75,000
- One Purchase Price Limit for the entire state
 - \$350,000

Single Family Program Redesign

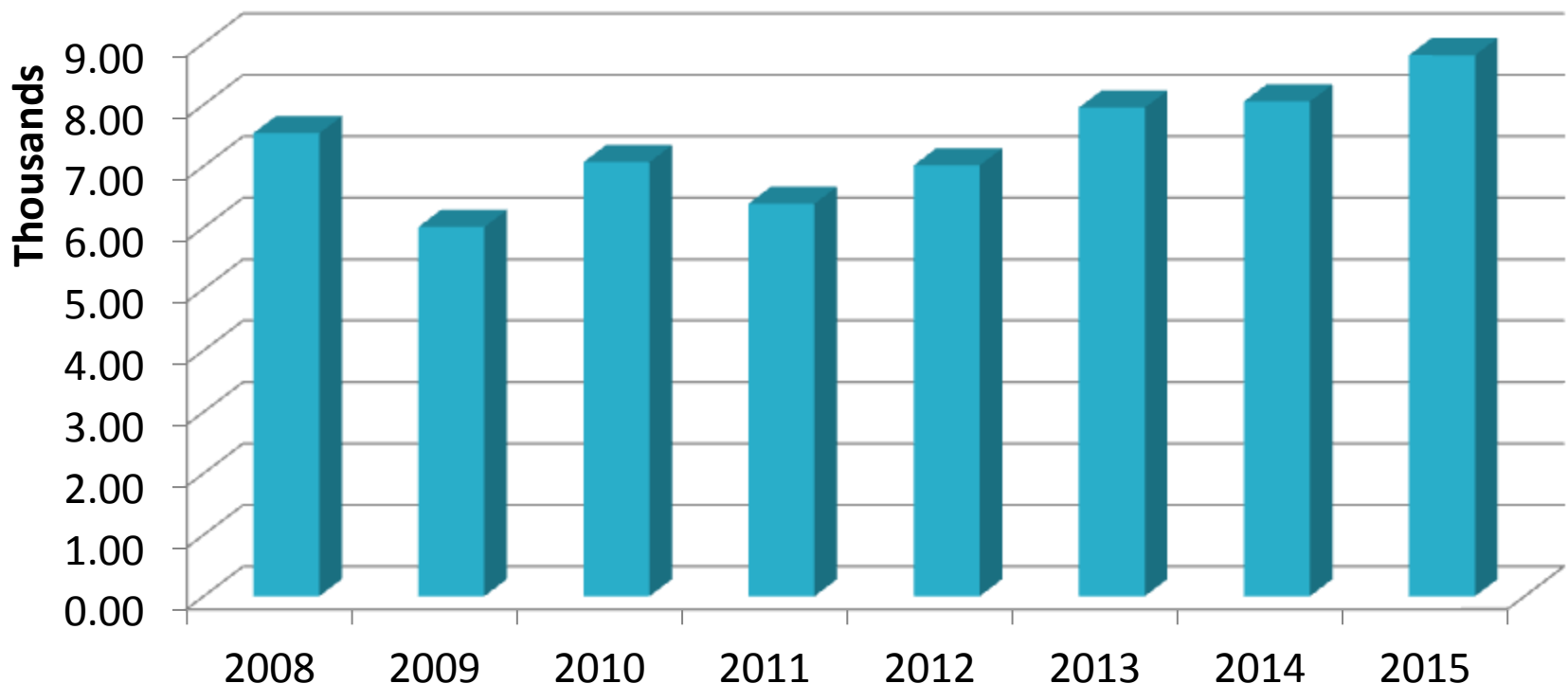
“Next Home” Program

- \$500 borrower contribution
- No origination fees to the homebuyer
- Can be used with a Government insured loan (FHA, VA, USDA) or a Conventional loan (“Fannie Mae HFA Preferred”)
- 620 credit score
- Must be primary residence
- Pre purchase homebuyer counseling, only if a first time homebuyer
- Simplified homebuyer qualification guidelines

New Mexico Market Trends

“Higher rents, a stronger job market, and gradually rising interest rates are coaxing many first time homebuyers into becoming homeowners.”*

January through June Home Sales

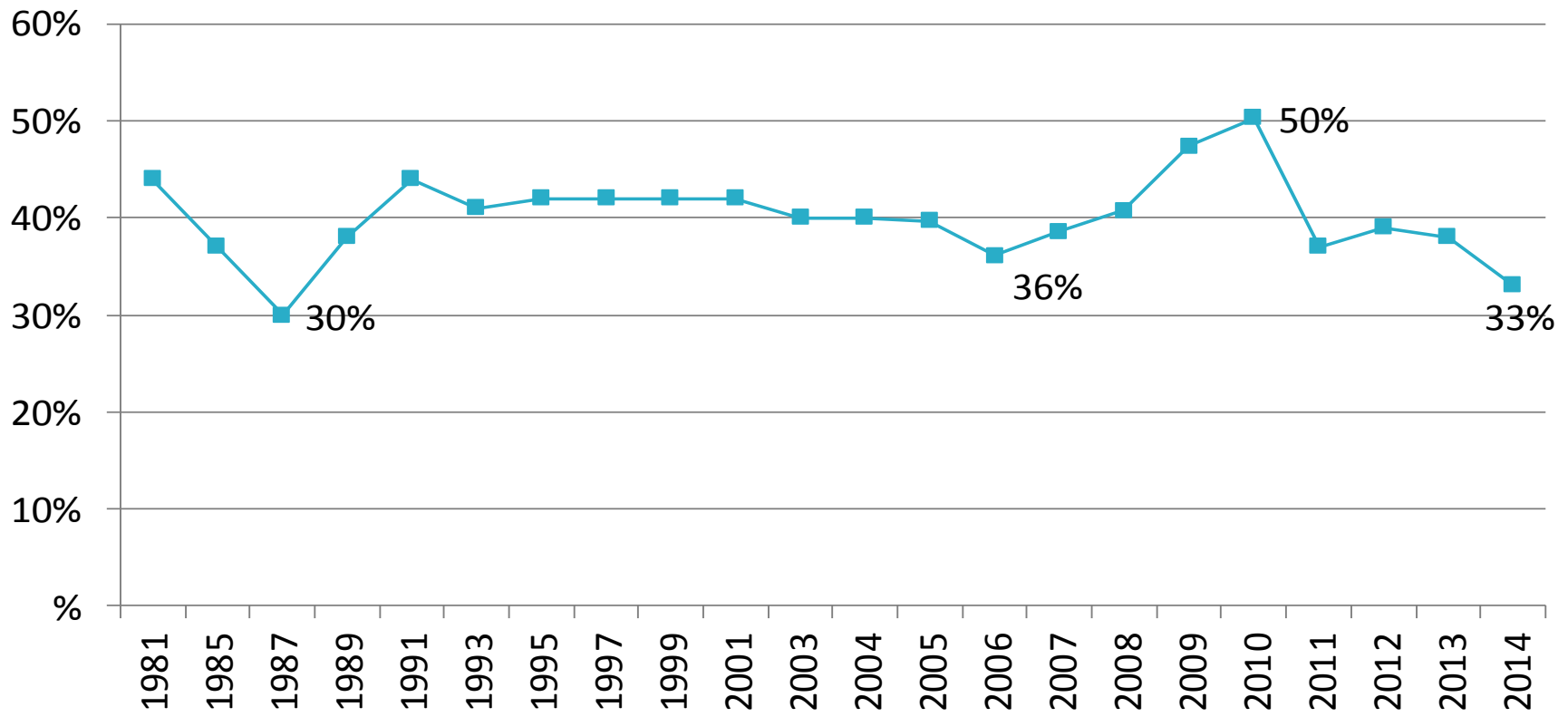


First Time Homebuyer Activity

- **First Time Homebuyer Market Share***
 - In April, 2015, first time homebuyer purchases increased to the highest level in four years.
 - In May 2015, first time homebuyers accounted for 38.8 percent of all home purchases.
 - 42 percent of first time homebuyers obtained FHA financing for their home purchase.
- **FHA financing is the best option for first time homebuyers**
 - Upfront mortgage insurance premiums (“MIP”) lowered 50 basis points in January 2015
 - Reduction in MIP provides an average savings of \$900 per year

First-time Homebuyer Market Share

Despite recent trends, the first time homebuyer market share remains under the historical norm.



Millennial Homebuyers

“Many Millennials have endured underemployment and subpar wage growth, and rising rents and repaying student debt have made it difficult to save for a down payment.”

2014 National Survey of more than 5,400 Millennials*

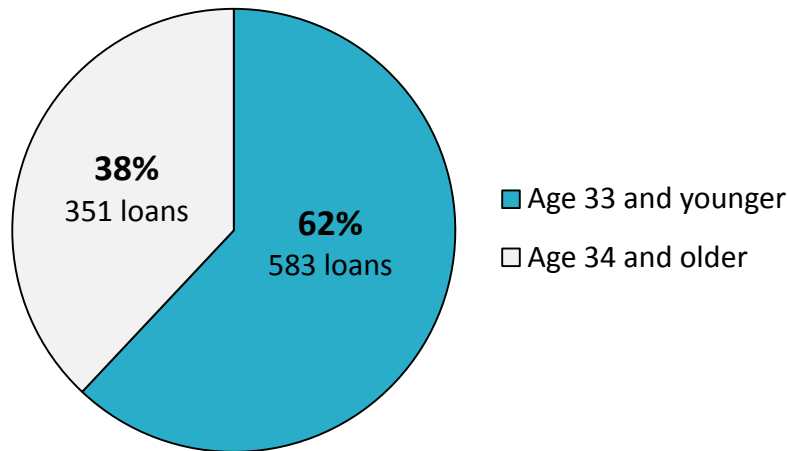
- 54 percent of Millennials surveyed cite student loan debt as the biggest obstacle in purchasing a home.
- 41 percent of Millennials used a co-borrower to finance the home purchase
- 20 percent of Millennials used family assistance to purchase the home
- When searching for a property, Millennials were most likely to use a real estate agent, mobile/tablet search engines or mobile/tablet applications
- Millennials plan to stay in their home for 10 years
- Home purchase most influenced by the quality of the neighborhood (75 percent) and the convenience to jobs (74 percent)

Changing Demographic of Homebuyers

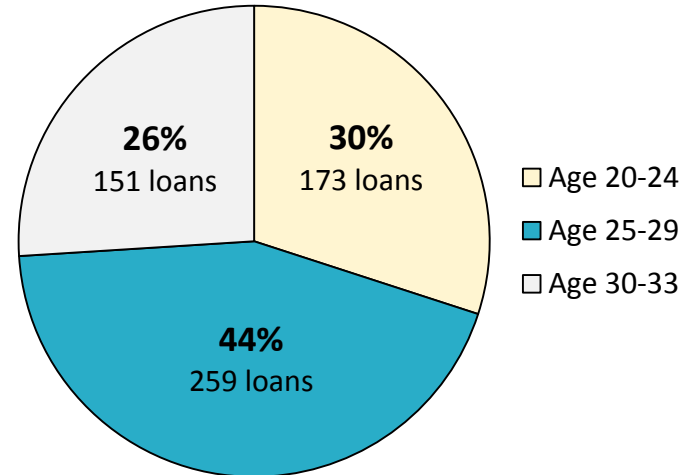
First-Time Homebuyer Loans to Millennials, 2014

- Of 934 first-time homebuyer loans made by MFA in 2014, 583 or 62% were made to borrowers 33 years of age or younger.

All MFA Loans, 2014



MFA Loans to Millennials, 2014



Single Family Program Activity

Loan Reservations

***MFA's single family program has seen a 35% increase in loan reservation activity.
(August 2014 YTD versus August 2015 YTD)***

